

STANDING COMMITTEE ON PROGRAMMES AND FINANCE

Thirtieth Session

**REPORT OF THE CHAIRPERSON OF THE
WORKING GROUP ON BUDGET REFORM**

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Background

1. As IOM has grown, its overall budget for its core structure, which is necessary to manage the essential structures of the Organization, has decreased proportionately to cover only a small fraction of overall expenditures. To find a sustainable solution to the issue of insufficient and unpredictable core funding in IOM, the Standing Committee on Programmes and Finance (SCPF) initially established the Working Group on Budget Reform in May 2010. Following recommendations of the Working Group, the Council adopted several proposals recommended by the Working Group in 2013. Since that time, the Organization has continued to grow and evolve. At its Nineteenth Session, held in November 2016, the SCPF decided that the Working Group on Budget Reform would resume its meetings in 2017 to ensure the Organization's growth and evolution were well managed, particularly following the conclusion of its relationship agreement with the United Nations. The Working Group met several times in 2017, 2018, and 2019. In February 2020, the Administration then offered a proposal as to how to reform and strengthen the core structure of the Organization, as outlined in document WG/BR/2020/1. Over the next two years, the Working Group examined the Administration's proposal to strengthen funding of the core structure and the update contained in document WG/BR/2021/3.

2. In its meetings on 7 March and 11 April 2022, the Working Group examined the additional information provided by the Administration in document WG/BR/2022/1. Following extensive informal consultations with interested Member States, the Chairperson of the Working Group put forward a Chairperson's proposal, taking into account concerns expressed by Member States. The Working Group considered this proposal at its meeting on 1 June 2022. Extensive informal consultations and negotiations followed this meeting.

3. The IOM Council Bureau then offered a revised proposal on 14 June 2022, incorporating the input of Member States, with an intention of finding a balance between differing views expressed and reaching a consensus. The Working Group then considered this revised Bureau proposal at its meeting held on 16 June 2022, during which Member States offered general comments on any substantive matters of concern. During this Working Group meeting, the Director General reiterated the dire financial situation faced by IOM given the lack of adequate, sustainable and predictable core funding. He highlighted that the Organization now is at risk of not being able to fulfil its mandate, particularly given the protracted discussions, and may be forced to reduce its capacity. At the conclusion of the meeting, the Chairperson requested Member States to submit proposed technical amendments to the draft Council Bureau proposal to the Secretariat in writing. The proposed technical amendments have been taken into consideration in the preparation of the draft resolution put forward for consideration by the Standing Committee on Programmes and Finance (document S/30/L/4).

Funding the core structure

4. There was general consensus on the need to strengthen the core structure and on the level of funding required, namely USD 75 million. Although IOM has more than doubled in size over the last decade, the level of assessed contributions has remained relatively static. Every year, because of IOM's zero nominal growth policy, the Administration's budget has decreased in real terms. As a result, there remains minimal funding for any additions to core capacity at a time when it needs to be strengthened to support the ever-expanding operational footprint of the Organization.

5. The draft resolution on investing in the core structure is the compromise result following a thorough examination of several proposals and the receipt of the input of Member States during

consultations and informal negotiations. During the discussions, Member States made compelling arguments and offered key considerations, which are summarized below.

6. **IOM is an indispensable partner.** Member State demand for IOM's work has increased significantly in recent years as a result of climate change, disasters, armed conflicts and large-scale socioeconomic crises. The resulting significant expansion of the Organization has meant that IOM simply lacks sufficient funding to cover existing core functions, meet Member State expectations and serve vulnerable populations effectively. This funding crisis has been further exacerbated by inflation and other economic pressures, which the Organization has no capacity to absorb. IOM's core structure cannot keep pace with the increasing demand for its services and the resulting exponential growth.

7. **IOM is the primary United Nations agency in the field of migration and supports Member States to address migration challenges and opportunities, providing strategic guidance to all Member States and assisting tens of millions of people on the move every year.** It is simply not sustainable or realistic for Member States to continue to place such demands on IOM without ensuring adequate financial means to continue to manage its mandate. While Member States are going through difficult economic times, made worse by the coronavirus disease 2019 (COVID-19) pandemic, these same fiscal pressures are also drivers of migration and forced displacement. Underfunding IOM at this critical moment in time could cause further harm to Member States and our most vulnerable people.

8. **The increase in assessed contributions is an essential component of budget reform.** Based on IOM's history of receiving a limited amount of unearmarked voluntary contributions, the only reliable source of predictable funding is assessed contributions. Assessed contributions are also equitable and allow the burden to be shared among all Member States. Likewise, during the Working Group discussions, Member States made insufficient commitments to provide multi-year, unearmarked voluntary contributions. While some Member States were of the view that the full USD 75 million should be funded through assessed contributions, others expressed their desire to see more diverse sources of funding to meet the financial needs. Recognizing the diverse views, Member States agreed on the need to find a creative solution to complement assessed contributions with voluntary contributions, additional project overhead charges, private sector funding and other alternative sources.

9. **Reform efforts at IOM must continue.** While IOM has embarked on extensive internal governance reforms since 2020, the Organization must continue to strengthen governance, oversight, transparency and efficiency. There should also be discussions in the future on how to further strengthen the core structure to ensure that IOM is fit for purpose to serve Member States and fulfil its mandate.

Recommendation

10. It should be noted that discussions within the Working Group have been conducted in a positive and constructive atmosphere, reflecting a general desire to move towards a sustainable solution. The Administration has been helpful by providing extensive background papers and explaining technical aspects of the issues, including the reforms and cost-efficiency measures already being implemented by the Organization. Over the years, Member States have expressed many views on how to fill the financial gap required to fund the core structure. In the interim, the financial pressures on the Organization have increased. The Chairperson holds the view that the technical discussions and exchanges of substance on the issues have been exhausted and therefore the Working Group has fulfilled its mandate. It is the recommendation of the Chairperson that the Standing Committee approve the draft resolution.